

# **Lysander – Seamark Total Equity Fund**

Semi-Annual Management Report of Fund Performance

June 30, 2016



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# **Lysander – Seamark Total Equity Fund**

## **Semi-Annual Management Report of Fund Performance**

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### ***Management Report of Fund Performance***

As at June 30, 2016

#### ***A NOTE ABOUT FORWARD LOOKING STATEMENTS***

This semi-annual Management Report of Fund Performance includes certain statements that are “forward looking statements”. All statements, other than statements of historical fact, included in this Management Report of Fund Performance that address activities, events or developments that the Fund expects or anticipates will or may occur in the future, including such things as anticipated financial performance, are forward looking statements. The words “may”, “could”, “would”, “should”, “believe”, “plan”, “anticipate”, “expect”, “intend”, “forecast”, “objective” and similar expressions are intended to identify forward looking statements.

These forward looking statements are subject to various risks and uncertainties, including the risks described in the simplified prospectus of the Fund, which could cause actual financial performance and expectations to differ materially from the anticipated performance or other expectations expressed. Readers are cautioned not to place undue reliance on these forward looking statements. All opinions contained in forward looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

The Fund has no specific intention of updating any forward looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation. Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.

# **Lysander – Seamark Total Equity Fund**

## **Semi-Annual Management Report of Fund Performance**

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### ***Management Report of Fund Performance***

As at June 30, 2016

This semi-annual Management Report of Fund Performance of Lysander-Seamark Total Equity Fund (the “Fund”) contains financial highlights for the period ended June 30, 2016 but does not contain the complete financial statements of the Fund. This report should be read in conjunction with the semi-annual financial statements of the Fund for the period ended June 30, 2016. Lysander Funds Limited (“the Manager”) is the manager of the Fund. You can get a copy of the financial statements at your request, and at no cost, by calling toll-free 1 877 308 6979, by writing to us at Lysander Funds Limited, 100 York Boulevard Suite 501, Richmond Hill Ontario, L4B 1J8, by visiting our website at [www.lysanderfunds.com](http://www.lysanderfunds.com) or at SEDAR at [www.sedar.com](http://www.sedar.com).

Unitholders may also contact us using one of these methods to obtain a copy of the investment Funds’ proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

### ***Management Discussion of Fund Performance***

#### ***Investment objective***

The Fund’s objective is to provide long-term capital growth by investing primarily in equity securities of companies anywhere in the world.

#### ***Investment Strategies***

The Fund’s portfolio manager is Seamark Asset Management (2013) Ltd. (“Portfolio Manager” or “Seamark”). The Fund’s portfolio positions will primarily in equity securities of companies globally. The Fund will not be leveraged. The Fund may invest up to 100% of its assets in foreign securities. More details are contained in the Fund’s simplified prospectus.

#### ***Risks***

The risks of this Fund remain as discussed in the Fund’s most recent simplified prospectus or its amendments.

#### ***Results of Operations***

After a tough 2015, Canadian equities have been leading the way of late among world bourses. Even though our economic prospects are less assured than those in the US, Canadian equities have performed better thanks to a significant recovery in the price of oil, currently trading near \$50 per barrel versus closer to \$30 earlier in the year. And more recently, the TSX has been boosted by a big rally in shares of gold companies. The price of bullion has recovered, and gold shares have been a safe haven bet on the heels of the Brexit vote. Although U.S. and other foreign equities provided positive results in USD in the first half of the 2016 year, currency was a headwind as the USD depreciated by close to 6% during the period.

Total Equity begins with Canada, purchasing companies in industries where Canada enjoys world class capability. Fortunately we owned some Canadian gold companies and pipelines so we did participate somewhat in the commodities comeback. The Fund also benefitted from a reasonable allocation to telecoms and utilities.

As we enter the second half of 2016, we seek to be invested in companies with strong balance sheets and capable management. We are positioned in higher quality larger companies that have the ability to grow their dividends and still fund their growth without compromise. While market volatility increases with uncertainty, we are optimistic in that it offers us the opportunity to selectively buy high quality investments when they are on sale.

The Fund is positioned to capture more durable growth of earnings and dividends over the longer term. At period end the Fund had a dividend yield of 2.8% which should function as an anchor for stable returns in the future.

# **Lysander – Seamark Total Equity Fund**

## **Semi-Annual Management Report of Fund Performance**

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### ***Management Discussion of Fund Performance - continued***

The Fund had positive returns in the period (1.9% for Series A and 2.4% for Series F). The Fund is being careful to invest conservatively and had cash levels of over eight percent at period end. Of the sectors held by the Fund, the materials, energy and telecom sectors were the strongest performers during the period, and were the largest factors in the performance of the Fund during the period. Weak returns in financials, information technology and consumer discretionary sectors tempered the performance of the Fund.

This positioning and performance is entirely consistent with the Fund's fundamental investment objective and strategies. The net assets of the Fund increased to over \$1.7 million at June, 2016 from \$1.6 million at December 31, 2015.

There were no unusual changes to the components of revenue and expenses of the Fund and there were no unusual events or transactions, economic changes or market conditions that affected performance beyond what would be reasonably expected.

The Fund did not borrow money during the period except for immaterial short term cash overdrafts.

### ***Recent Developments***

For the recent period, world economic growth has continued to balk and the US economy has looked more likely to continue to grow in spite of the fall elections there. Uncertainty in the face of politics seems to be more prevalent at the moment. China is still in the midst of reorienting its growth towards more internal consumption under the new leaders of the Communist Party. A changing of the guard in Britain and an upcoming referendum in Italy are looming on the European front. While we do consider the economy in the context of our investments, we are primarily investors in companies. This focus on individual companies is consistent with the objective of owning the company for the long-term. We believe we are better able to analyze and predict the long-term performance of our portfolio companies than what the economy is going to do in the next quarter or year. In this vein, we don't expect any 'top down' strategic changes in the fund, but we continue to apply our investment approach to focus on great companies with attractive return prospects.

There have been no changes to the Manager or Portfolio Manager, or change of control of the Manager, or of the Fund in the period. There have been no actual or planned reorganizations, mergers or similar transactions.

There were no changes to the membership of the Fund's Independent Review Committee ("IRC").

### ***Related Party Transactions***

The Manager provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services. The Manager receives a management fee for these services. The fee is calculated based on a percentage of the net asset value of the Fund as disclosed in the simplified prospectus.

The Fund paid approximately \$10,642 (including HST) in management fees to the Manager for the period ended June 30, 2016 (June 30, 2015: \$6,073).

The Portfolio Manager is responsible for all investment advice provided to the Fund including providing investment analysis and recommendations, making investment decisions and arranging for the acquisition and disposition of portfolio investments. Fees for providing these services are included in the management fee.

The Manager paid approximately \$4,759 (including HST) to the Portfolio Manager for the period ended June 30, 2016 (June 30, 2015: \$2,533).

The Fund did not rely on any approval, positive recommendation or standing instruction from its IRC with respect to any related party transactions.

# Lysander – Seamark Total Equity Fund

## Semi-Annual Management Report of Fund Performance

### Financial Highlights

The following table shows selected financial information for the period ended June 30, 2016 and December 31, 2015 for Series A and F and is intended to help you understand the Series' financial performance.

Series A*	Period ended	June 30, 2016	December 31, 2015	December 31, 2014
<b>Series Net assets Per Unit <sup>1</sup></b>				
	Net assets, beginning of period	\$9.79	\$10.00	-
	<b>Increase (decrease) from operations:</b>			
	Total revenue	0.15	0.30	-
	Total expenses	(0.14)	(0.25)	-
	Realized gains (losses)	0.02	0.05	-
	Unrealized gains (losses)	0.12	(0.23)	-
	<b>Total increase (decrease) from operations <sup>2</sup></b>	<b>\$0.15</b>	<b>\$(0.13)</b>	-
	<b>Distributions:</b>			
	From income (excluding dividends)	(0.01)	-	-
	From dividends	-	(0.11)	-
	From capital gains	-	(0.06)	-
	<b>Total Distributions<sup>2,3</sup></b>	<b>(0.01)</b>	<b>(0.17)</b>	-
	<b>Net assets, end of period <sup>2,3</sup></b>	<b>\$9.97</b>	<b>\$9.79</b>	-
<b>Ratios and Supplemental Data</b>				
	Net asset value <sup>4</sup>	203,890	229,592	-
	Units outstanding <sup>4</sup>	20,444	23,450	-
	Management expense ratio <sup>5</sup>	2.66%	2.53%	-
	Management expense ratio before waivers or absorption <sup>5</sup>	3.93%	4.87%	-
	Portfolio turnover rate <sup>6</sup>	6.3%	8.2%	-
	Trading expense ratio <sup>7</sup>	0.01%	0.1%	-
	Net asset value per unit, end of period	\$9.97	\$9.79	-

\*Series A commenced operations on December 30, 2014 and accordingly prior period numbers are not available.

### Notes

1. The information is derived from the Fund's unaudited semi-annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
2. Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
3. Distributions were paid in cash or reinvested in additional units, or both.
4. This information is provided at the end of the period shown.
5. The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.
6. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.
7. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

# Lysander – Seamark Total Equity Fund

## Semi-Annual Management Report of Fund Performance

Series F*	Period ended	June 30, 2016	December 31, 2015	December 31, 2014
<b>Series Net assets Per Unit <sup>1</sup></b>				
Net assets, beginning of period		\$9.89	\$10.00	-
<b>Increase (decrease) from operations:</b>				
Total revenue <sup>0.15</sup>		0.16	0.30	-
Total expenses		(0.07)	(0.14)	-
Realized gains (losses)		0.02	0.07	-
Unrealized gains (losses)		0.17	(0.09)	-
<b>Total increase (decrease) from operations <sup>2</sup></b>		<b>\$0.27</b>	<b>\$0.14</b>	-
<b>Distributions:</b>				
From income (excluding dividends)		(0.01)	-	-
From dividends		-	(0.12)	-
From capital gains		-	(0.07)	-
<b>Total Distributions<sup>2,3</sup></b>		<b>(0.01)</b>	<b>(0.19)</b>	-
<b>Net assets, end of period <sup>2,3</sup></b>		<b>\$10.12</b>	<b>\$9.89</b>	-
<b>Ratios and Supplemental Data</b>				
Net asset value <sup>4</sup>		1,579,096	1,441,238	-
Units outstanding <sup>4</sup>		156,000	145,786	-
Management expense ratio <sup>5</sup>		1.54%	1.42%	-
Management expense ratio before waivers or absorption <sup>5</sup>		2.80%	3.65%	-
Portfolio turnover rate <sup>6</sup>		6.3%	8.2%	-
Trading expense ratio <sup>7</sup>		0.01%	0.1%	-
Net asset value per unit, end of period		\$10.12	\$9.89	-

\*Series F commenced operations on December 30, 2014 and accordingly prior period numbers are not available.

### Notes

1. The information is derived from the Fund's unaudited semi-annual financial statements. All per unit figures presented are referenced to net assets determined in accordance to IFRS.
2. Net assets and distributions are based on the actual numbers of units outstanding at the relevant time. The increase (decrease) in operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.
3. Distributions were paid in cash or reinvested in additional units, or both.
4. This information is provided at the end of the period shown.
5. The management expense ratio is based on the total expenses of the period ended and is expressed as an annualized percentage of daily average net asset values during the period.
6. The Fund's portfolio turnover rate indicates how actively the Fund's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund. The portfolio turnover rate is calculated based on the lesser of purchases or sales of securities divided by the weighted average market value of portfolio securities, excluding short term securities.
7. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

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### **Management Fees**

The Manager provides or arranges the provision of all general management and administrative services required by the Fund, and as described in the section “Related Party Transactions” above.

In consideration for such services, the Manager receives a monthly management fee, based on the net asset value of each Series, calculated daily and payable monthly. The Fund pays a management fee of 2.0% per annum for Series A units and 1.0% per annum for Series F units.

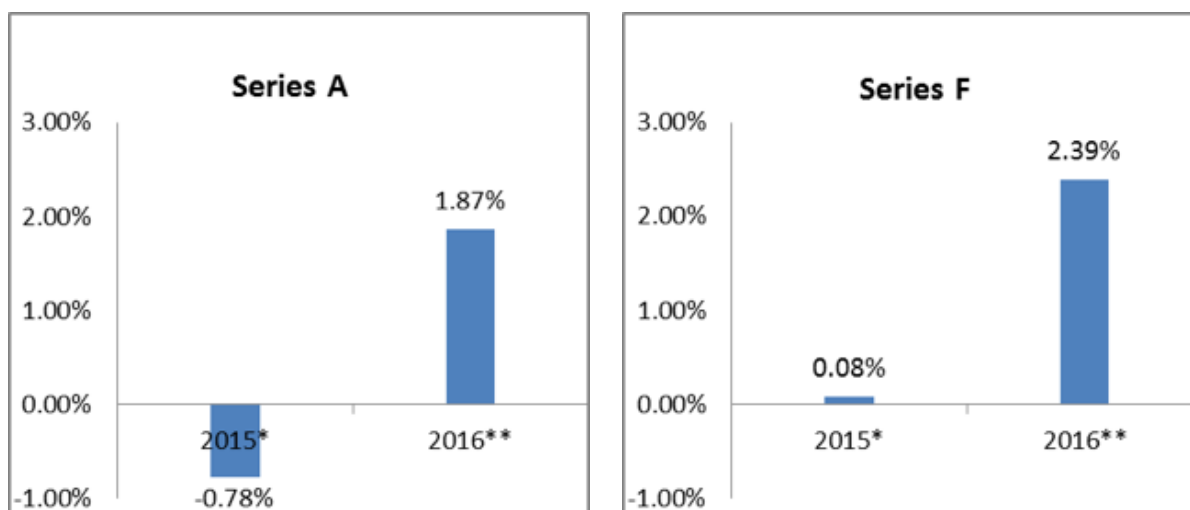
Service fees or trailing commissions of a maximum of 1.0% per annum are paid on Series A units to dealers. This comprises approximately 50% of the management fee of Series A units.

### **Past Performance**

The commencement of operations as a reporting issuer for Series A and Series F was December 30, 2014. Accordingly, returns are shown for the relevant period as indicated below.

The performance information assumes that any distributions are reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the series will perform in the future.

### **Period – by – Period Returns**



*\*For the period January 1 to December 31*

*\*\*For the period January 1 to June 30*



# Lysander – Seamark Total Equity Fund

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### Summary of Investment Portfolio

As at June 30, 2016

Top 25 Issuers	% of NAV	Asset Mix	% of NAV
Cash and cash equivalents	8.3	Cash and cash equivalents	8.3
Bank of Nova Scotia	2.5	Canadian Equities	47.9
Royal Bank of Canada	2.4	Foreign Equities	44.0
Toronto Dominion Bank	2.3	Other assets less liabilities	-0.2
Kla-Tencor Corp	1.9	Total	100.0%
Franco-Nevada Corp.	1.8		
Thomson Reuters Corp.	1.8		
Stryker Corp.	1.7		
Enbridge Inc	1.7		
Goldcorp Inc.	1.7		
TransCanada Pipelines	1.6	<b>Sector Mix</b>	<b>% of NAV</b>
Bristol Myers	1.6	Cash and cash equivalents	8.3
General Electric	1.6	Consumer Discretionary	4.7
Industrial Alliance	1.6	Consumer Staples	14.0
Unilever PLC	1.6	Energy	13.7
Pfizer Inc.	1.5	Financials	16.2
Inter Pipeline Fund	1.5	Health Care	9.9
Canadian National Railway	1.5	Industrials	10.8
Merck & Co	1.5	Information Technology	8.2
Fortis Inc.	1.5	Materials	6.2
Cisco Systems	1.5	Telecommunication Services	5.4
ABB Ltd	1.4	Utilities	2.8
Diageo PLC	1.4	Other assets less liabilities	-0.2
Finning International Inc.	1.4	Total	100.0%
Davita Healthcare Partners	1.4		
Total	48.7%		



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